12/28/87 LE2030-1

HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Volume XII, No. 2 October 4, 1987

INDUSTRIAL PRODUCTION FIGURES

Product	Production for Jan-Aug 1987	Jan-Aug 1987 as a % of Jan-Aug 1986
Electricity (bil. Kw. hrs.)	1086	104
Petroleum [incl. gas condensate] (million tons)	415	102
Natural Gas (billion m^3)	475	106
Coal (million tons)	507	101
Steel (million tons)	108	100.4
Fertilizer (million tons)	24.1	105
Metal-cutting tools (billion rubles)	1.9	97
Robots (1000 units)	9.7	94
Computer technology (billion rubles)	17.9	106
Tractors (million hp.)	34.2	94
Paper (million tons)	4.1	99.5
Cement (million tons)	91.3	102
Meat (million tons)	7.1	106
Watches (million units)	46.2	99.6
Radios (million units)	5.4	90
Television sets (million units)	5.8	92
Automobiles (1000 units)	883	100.4

LIVESTOCK HERDS

(million head)

Herd	Jan-Aug 1986	Jan-Aug 1987	% Change
Cattle	97.9	97.	-1.
Cows	29.2	28.9	-1.
Hogs	63.1	60.6	-4.
Sheep & Goats	132.3	131.7	-0.5
Chickens	794.7	807.7	+1.6

INDUSTRIAL PRODUCTION FOR THE FIRST EIGHT MONTHS OF 1987

Gorbachev's problems with the economy continue. Even though the statistical authorities report that industrial production rose 3.6% in August, many individual industries reported a much lower rate of growth and as before, a surprisingly large number reported an actual drop in production. The drop in production is due, as before, to the impact of the quality inspectors sent out to 1500 of the largest factories. In other words, in any production involving value-added or fabrication, the quality controls have had a signficant impact. As a consequence, the vast majority of industries where fabrication is a consideration report that their production for the first eight months of 1987 is below that of the first eight months of 1986. For example, generator production is down 9%, tractor production is down 6%, radio production is down 10%, and television production is down 8%. Those are selected examples; the list of others suffering the same fate is quite extensive.

At the same time, Gorbachev is also having some difficulty with the standard, basic industries. For example, oil production, while it did not drop as it did in July, was basically constant. Natural gas production was up only 4%, although for the year it had been up 6%. Similarly, coal production was constant for the month of August 1987, compared to August 1986, although for the year as a whole it had been increasing 1%.

There is some good news. Electricity production is up 5% for the month of August, whereas it had been up only 4% for the whole eight month period. Similarly, steel production is up 5% for the month of August, compared to basically a flat rate of growth for the whole eight months.

There is no doubt, however, that there is a significant impact on the Soviet economy of the quality inspection procedure.

PROBLEMS IN AGRICULTURE

There have been differing reports about the fate of the harvest this past year. The U.S. Department of Agriculture raised its estimate of the harvest size, indicating it will be somewhere over 200 million tons. At the same time, Abel Aganbegian reportedly gave an interview to a West German paper in which he indicated this would be a record harvest.

However, there are some very significant signs of difficulty in agriculture. One of the most surprising signs is that as reported in last month's newsletter, the size of the livestock herd seems to be falling. This may indicate a shortage of feed. Moreover, there is no indication that the situation is improving. The cattle and cow herd is down 1%. The drop in the hog herd has increased, as compared to last month. Last month it was down 3%; now it is down 4%. The only promising sign is that the number of chickens has increased by 1.6%.

Even more surprising is the fact that apparently the Soviets are experiencing a shortage of fruit and vegetables in their major cities, particularly Leningrad and Moscow. It is unclear whether this is due to a cutback in imports or domestic production, or a combination of the two.

Reflective of the problem is the fact that in the Moscow region, as of August 24th, the number of potatoes delivered to the official state stores was only 70% of what it had been a year earlier. For the city of Moscow as a whole, only 84% of the number of potatoes were available. In Leningrad, the situation was considerably worse. There, only 47% of the potatoes sold in 1986 had been delivered for the same period in 1987. While the drop is not as severe, there were similar problems with almost all other types of vegetables. When it comes to fruit, the drop, in some cases, was even worse. Some fruit and berry supplies were only 55% of what they had been the year earlier.

Similar problems were reported in outlying republics as well. Apparently there are also shortages of tea and coffee in Moscow.

These shortages clearly must be having an important impact on the popular mood and are reinforced by comments which have been heard by many visitors returning from the Soviet Union who report that there is considerable grumbling about the availability of supplies of fruit and vegetables.

FIRST CORPORATE SPONSOR SEMINAR FOR 1987

The annual Journalist Orientation conference sponsored jointly by the Russian Research Center and the Nieman Foundation of Harvard University took place Monday, September 28, 1987, at the Harvard Faculty Club. Attended by journalists representing over 48 different newspapers and broadcasting networks from around the world, the conference served as an intensive one-day introduction to the Soviet Union's social, political, and economic structure and policies.

The morning panel focused on political developments in both Soviet domestic and foreign policy. Mark Beissinger, a John M. Olin Faculty Fellow at the Russian Research Center discussed Gorbachev's relative power position and his tenure in office, given internal opposition and popular expectations. Joseph Nye, Director of Harvard's Center for Science and International Affairs, examined the current arms control proposals and likely developments in the area within the next year. Mark Kramer, a Kukin Fellow at the Center for International Affairs, discussed the specifics of US and Soviet military policy and the impact of the current discussions on long-term balance of power. Adam B. Ulam, Director of the Russian Research Center, discussed expectations for the future and the historical significance of events over the last two years.

The afternoon panel examined the social and economic reforms inacted by Gorbachev since his appointment as General Secretary in March 1985. Marshall I. Goldman, Associate Director of Harvard's Russian Research Center examined the economic reforms adopted by the Soviet Union and the short- and long-term achievements and failures of perestroika. Walter D. Connor, a professor of political science and sociology at Boston University, discussed the impact of glasnost' on Soviet society. David E. Powell, a fellow of the Russian Research Center, highlighted the social pressures with which Gorbachev must come to terms if he is to succeed in his reform efforts. Loren Graham, a Professor of History of Science at Harvard and MIT, spoke about the impact of reforms on the computer industry of the Soviet Union and the strengths and weaknesses of the U.S.S.R. in the field of computer technology. Jerry Hough, Director of the Center on East-West Trade, Investment and Communication at Duke University discussed Gorbachev's position in the Soviet power structure and his chances for success.

At 5:00 p.m. the conference adjourned for cocktails and a demonstration of live Soviet television. After dinner, the final panel of the conference discussed life as a journalist in the Soviet Union and Eastern Europe. Linda Feldmann, an assistant international editor with the Christian Science Monitor, discussed her recent three month experience as a exchange journalist on the staff of Moscow News. Michael Kaufman, the former Warsaw bureau chief of The New York Times discussed covering events in Warsaw during the rise of Solidarity and how Gorbachev's reforms can effect journalism in the U.S.S.R. Nicholas Turner, the first foreign network cameraman (CBS) to reside in the Soviet Union and a contributing journalist to the recent CBS special "Seven days in May" showed clips of his work and discussed working as a cameraman in the Soviet Union. Serge Schmemann, former Moscow bureau chief for The New York Times, discussed his seven years in residence and how Gorbachev's reforms are changing not only Soviet society, but how people in the West view Soviet society. To top off an exceptional panel, Mr. Gennady Gerasimov, former editor of Moscow News and currently the official Press Spokesman of the U.S.S.R. Ministry of Foreign Affairs, spoke on the topic of glasnost' and the reform movement in the U.S.S.R.

FOREIGN EXCHANGE RATES

Currency (100)	Purchase in rubles as of Sept. 23rd
Austrian shilling	4.95
English pound	104.23
German mark (FRG)	34.88
Italian lire	.0483
USA dollar	63.06
French franc	10.46
Swiss franc	42.08
Japanese yen	.441

ANNOUNCEMENTS

Corporate Sponsor Seminar Series

In light of the interest shown in joint venture opportunities with the Soviet Union, we have scheduled a Corporate Sponsor Seminar for Monday, October 26th. We intend to examine the topic of joint ventures, focusing primary attention on opportunities and experiences in China, Hungary and the Soviet Union. Our goal is to discuss the joint venture climate in the USSR, the experiences of Western firms currently operating in Eastern Europe and the People's Republic of China, and why the Chinese, while not entirely successful in their efforts, have more actively pursued the option of joint venture contracts than the Soviet Union. Finally, to what degree can Western experiences in Chinese and Hungarian joint ventures inform us about what to expect in Soviet joint venture projects. The president of a Finnish firm currently involved in a 49-51 joint venture with the Soviet Union will be joining us from Helsinki to discuss his company's experiences. A program and application form are enclosed. For further information, contact Catherine Reed or Marshall I. Goldman.

ERRATA

A typographical error in the September issue of the RRC Newsletter may have caused confusion for some of our readers. In the letter discussing Soviet petroleum from James W. Clarke, the "reserves-to-production ratio" should have read "20:1" instead of "2:1." We apologize for any confusion or panic caused by our error.

Arden House Conference

It is not too early to mark your calendar for the 12th annual Arden House Conference on American-Soviet Relations. Scheduled for March 25 - 27, 1988, the conference will take place at Arden House in Harriman, New York. This year's topic is "Detente Revisited" and is shaping up as one of our most promising conferences to date. The program is now in the final stages of preparation and will be included in the December issue of the RRC Newsletter. Designed to bring together businessmen, academics and professionals working in the field of Soviet and East European affairs, the conference provides a rare environment conducive to intellectual debate and exchange. If you know of someone who might benefit from attendance and is not currently receiving our newsletter, please contact Catherine Reed or Marshall Goldman to have them included on the invitation list.

ATTENTION ALUMNI OF THE SOVIET UNION PROGRAM AND RUSSIAN RESEARCH CENTER

The Russian Research Center is about to celebrate its fortieth anniversary. While the actual birthday is in February, we are taking advantage of the meeting of the American Association for the Advancement of Slavic Studies which will be held in Boston during the first week of November. Since many of our alumni will be coming to Boston for the AAASS conference, it makes sense to hold our anniversary celebration on November 6, Friday night, which is a free night on the AAASS schedule.

We will gather together at the new Marriott hotel in Kendall Square, near MIT. Our festivities will include a banquet and an address by former Ambassador Arthur A. Hartman. Some alumni are also threatening to produce some skits reflecting the forty years of the Center and the seventy years since the Bolshevik revolution, which will be celebrated the next day.

We welcome anyone who regards themselves as an alumnus of the Center. This is loosely defined to mean anyone who has been in residence at the Center or enrolled as a student in the Soviet Union Program. Tickets for the dinner are $40 and anyone interested in attending should complete the attached form and return it with a check for $40 by October 20th.

We look forward to seeing you in November.

LETTER TO THE EDITOR

I was much amused, having just returned from 2 weeks in Moscow and Leningrad, to read your speculation in the RRC Newsletter of August 1987 on why sugar production went up 14% in the first half. I have confirming evidence.

Having brought kvas concentrate, I intended to brew some in my hotel room at the National. Yeast is needed to start the fermentation. I speak Russian, and therefore went to at least 7 stores, including GUM, which has a large foodstuffs section, and none had any yeast. I asked the clerks how this was possible, "didn't the Soviet women bake?" They shrugged their shoulders and said, "No" or "Shortage." Then I spoke to a man, who laughed, and said "Don't you know, it's all being used to make home brewed vodka." Having noticed the long lines that form (men only) at the liquor counter at the new opening hour in the late afternoon, I think the explanation fits...

Norman L. Stone
Setauket, NY

NEW BOOK

Jack Baranson, a frequent participant at RRC conferences and a research professor at the Illinois Institute of Technology, has just authored a book on industrial technology in the economic development of the Soviet Union. Soviet Automation: Perspectives and Prospects is available from Lomond Publications Inc. of Mt. Airy, Maryland.

****

The Russian Research Center takes no official stand on any economic or political trend. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, Marshall I. Goldman and Catherine Reed. RRC @1987

****

RUSSIAN RESEARCH CENTER and
THE WILLIAM AND MARY GREVE FOUNDATION

JOINT VENTURES IN THE COMMUNIST WORLD

October 26, 1987

Harvard Faculty Club
20 Quincy Street
Cambridge, MA 02138

(617) 495-4038 Russian Research Center
(617) 495-5758 Harvard Faculty Club

9:30 a.m. **THE JOINT VENTURE EXPERIENCE: More than you might expect.**

Prospects for the Future

China:

Jerome A. Cohen
Paul, Weiss, Rifkind, Wharton & Garrison

Soviet Union:

James Giffen
President, Mercator Corporation and President, US-USSR Trade and Economic Council

Marshall I. Goldman
Professor of Economics, Wellesley College and Associate Director, Russian Research Center, Harvard University

10:30 a.m. **THE SOVIET EXPERIENCE**

The Process of Negotiation

Michael Petrilli
Manager of International Development, Monsanto

John L. Becker
Director of Affiliate Development, Cummins Engines

Joe Condon
Vice President, International, Combustion Engineering

Sarah Carey
Partner, Heron, Burchette, Ruckert and Rothwell

12:00 Sherry
12:15 p.m. Lunch

1:15 p.m. Up and Operating: Experiences to date.

Ulf Ronnholm
President, Oy Sadolin AB (Finland). Oy Sadolin AB is the first company in the world to have formally agreed to a 49-51 joint venture (a varnish factory in Estonia) with the Soviet Union.

James Talbot
President, Marine Resources. Marine Resources has an already existing American-Soviet 50-50 joint venture operating in Nakhodka and Seatle.

2:15 p.m. **DOING BUSINESS IN CHINA**

Joint Ventures

Mark C. Israelson
Managing Director, Electronic Data Systems Corporation, Asia and Pacific Division, Singapore

Wholly Owned Subsidiaries

John Marshall
Director, Business Development International, 3M Corporation, St. Paul, Minnesota

3:45 p.m. **HUNGARY AND WESTERN BUSINESS**

Llewelyn Werner
Former Chairman of the Board, Crown Coach, Pico, California

John Kiser
President, Kiser Research, Inc., Washington, DC

4:45 p.m. Adjourn